



Utah Foster Care
FOUNDATION

**Financial Statements and Report Required by
Government Auditing Standards**

As of June 30, 2008 and 2007 and For the Years Then Ended

Together With Independent Auditors' Report



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THE CRITICAL KNOWLEDGE SOURCE



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UTAH FOSTER CARE FOUNDATION

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THE CRITICAL KNOWLEDGE SOURCE
BUSINESS ADVISORS
AND CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors Utah Foster Care Foundation

We have audited the accompanying statements of financial position of Utah Foster Care Foundation (the Foundation) as of June 30, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Utah Foster Care Foundation as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 8, 2008, on our consideration of Utah Foster Care Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Tanner LC

September 8, 2008



UTAH FOSTER CARE FOUNDATION
Statements of Financial Position

June 30,

	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 631,512	\$ 382,226
Investments	425,926	486,172
Receivables	297,566	516,523
Prepaid expenses	57,803	52,266
Property and equipment, net	79,842	90,417
Other assets	10,473	14,965
Total assets	<u>\$ 1,503,122</u>	<u>\$ 1,542,569</u>
<u>Liabilities and Net Assets</u>		
Accounts payable	\$ 19,388	\$ 14,724
Accrued liabilities	154,349	129,548
Total liabilities	173,737	144,272
Commitments		
Net assets:		
Unrestricted	1,281,225	1,325,913
Temporarily restricted	48,160	72,384
Total net assets	<u>1,329,385</u>	<u>1,398,297</u>
Total liabilities and net assets	<u>\$ 1,503,122</u>	<u>\$ 1,542,569</u>



UTAH FOSTER CARE FOUNDATION
Statements of Activities

Years Ended June 30,

	2008	2007
Change in unrestricted net assets:		
Revenues, gains, and other support:		
Government contract	\$ 2,842,686	\$ 2,730,726
Contributions	574,763	783,371
Interest and dividends	79,943	61,264
Net realized and unrealized gains (losses) on investments	(111,930)	37,372
 Total unrestricted revenues, gains, and other support	 3,385,462	 3,612,733
 Net assets released from restrictions	 55,666	 26,358
 Total unrestricted revenues, gains, other support, and reclassifications	 3,441,128	 3,639,091
 Program services:		
Recruitment	1,449,154	1,484,678
Education	669,451	754,584
Retention	1,030,428	1,046,526
Supporting services:		
Management and general	309,859	310,038
Fundraising	26,924	26,398
 Total expenses	 3,485,816	 3,622,224
 Increase (decrease) in unrestricted net assets	 (44,688)	 16,867
 Change in temporarily restricted net assets:		
Contributions	31,442	50,273
Net assets released from restrictions	(55,666)	(26,358)
 Increase in temporarily restricted net assets	 (24,224)	 23,915
 Increase (decrease) in net assets	 (68,912)	 40,782
 Net assets, beginning of year	 1,398,297	 1,357,515
 Net assets, end of year	 \$ 1,329,385	 \$ 1,398,297

UTAH FOSTER CARE FOUNDATION Statement of Functional Expenses

Year Ended June 30, 2008

	Program Services				Supporting Services		Total
	Recruitment	Education	Retention	Program Services	Management and General	Fundraising	
Salaries, payroll taxes and benefits	\$ 1,009,999	\$ 484,766	\$ 355,214	\$ 1,849,979	\$ 216,355	\$ 21,089	\$ 2,087,423
Professional fees	10,959	4,443	4,258	19,660	4,487	-	24,147
Insurances	8,138	3,361	2,959	14,458	2,573	-	17,031
Supplies	20,476	5,868	4,681	31,025	3,180	310	34,515
Telephone / Internet	33,991	14,557	12,401	60,949	7,599	741	69,289
Postage / Shipping	5,564	2,820	6,133	14,517	1,964	191	16,672
Occupancy	64,223	22,047	65,622	151,892	40,398	3,938	196,228
Depreciation and amortization	18,179	7,395	7,087	32,661	5,614	547	38,822
Equipment maintenance and rental	25,816	9,281	10,592	45,689	9,892	-	55,581
Printing and publications	22,011	15,869	4,315	42,195	1,106	108	43,409
Travel	56,902	50,507	16,938	124,347	7,641	-	131,988
Professional development	5,651	5,058	303	11,012	1,970	-	12,982
Direct service	19,962	42,626	539,126	601,714	5,511	-	607,225
Dues / Memberships	4,437	813	799	6,049	1,045	-	7,094
Community outreach	142,642	-	-	142,642	-	-	142,642
Other	204	40	-	244	524	-	768
Total expenses	\$ 1,449,154	\$ 669,451	\$ 1,030,428	\$ 3,149,033	\$ 309,859	\$ 26,924	\$ 3,485,816

See accompanying notes to financial statements.

UTAH FOSTER CARE FOUNDATION
Statement of Functional Expenses

Year Ended June 30, 2007

	Program Services			Supporting Services		
	Recruitment	Education	Retention	Management and General	Fundraising	Total
	Program Services			Supporting Services		Total
						Expenses
Salaries, payroll taxes and benefits	\$ 938,571	\$ 570,795	\$ 274,902	\$ 219,494	\$ 21,395	\$ 2,025,157
Professional fees	14,916	6,234	5,121	4,453	-	30,724
Insurances	5,711	2,387	1,960	1,606	-	11,664
Supplies	31,501	7,300	5,424	1,898	185	46,308
Telephone / Internet	28,183	12,469	10,579	4,327	422	55,980
Postage / Shipping	6,363	2,928	6,662	2,115	206	18,274
Occupancy	64,030	31,209	31,699	34,205	3,334	164,477
Depreciation and amortization	27,477	11,483	9,432	7,475	728	56,595
Equipment maintenance and rental	27,333	11,664	10,640	9,318	-	58,955
Printing and publications	25,274	13,309	3,803	1,280	125	43,791
Travel	49,897	44,621	20,745	16,388	-	131,651
Professional development	7,448	6,087	474	2,796	-	16,388
Direct service	23,016	33,239	664,606	1,902	-	722,763
Dues / Memberships	3,072	519	350	614	-	4,555
Community outreach	231,443	-	-	-	-	231,443
Other	443	340	129	2,167	3	3,082
Total expenses	\$ 1,484,678	\$ 754,584	\$ 1,046,526	\$ 310,038	\$ 26,398	\$ 3,622,224

See accompanying notes to financial statements.



UTAH FOSTER CARE FOUNDATION
Statements of Cash Flows

Years Ended June 30,

	2008	2007
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (68,912)	\$ 40,782
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	38,822	56,595
Realized and unrealized losses (gains) on investments	111,930	(37,372)
(Increase) decrease in:		
Receivables	218,957	(250,383)
Prepaid expenses and other assets	(1,045)	(17,800)
Increase (decrease) in:		
Accounts payable	4,664	(17,272)
Accrued liabilities	24,801	(4,356)
Net cash provided by (used in) operating activities	329,217	(229,806)
Cash flows from investing activities:		
Purchase of property and equipment	(28,247)	(40,551)
Purchases of investments	(51,684)	(33,654)
Net cash used in investing activities	(79,931)	(74,205)
Cash flows from financing activities	-	-
Net increase (decrease) in cash and cash equivalents	249,286	(304,011)
Cash and cash equivalents, beginning of year	382,226	686,237
Cash and cash equivalents, end of year	\$ 631,512	\$ 382,226
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ -	\$ -

See accompanying notes to financial statements.



UTAH FOSTER CARE FOUNDATION

Notes to Financial Statements

June 30, 2008 and 2007

1. Organization and Summary of Significant Accounting Policies

Organization

Utah Foster Care Foundation (the Foundation) is a Utah not-for-profit corporation organized to recruit, train, and support foster care families.

Financial Statement Presentation

The Foundation reports information regarding its financial position and activities according to two classes of net assets: unrestricted net assets and temporarily restricted net assets. The Foundation has no permanently restricted net assets.

Use of Estimates in Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

The Foundation maintains cash balances in bank accounts which at times may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to cash. As of June 30, 2008, cash balances exceeded the federally insured limits by approximately \$522,000.

A significant portion of the Foundation's revenues and receivables are from a government agency located in the State of Utah. This agency represented 98.1% and 99.5% of the receivables balance at June 30, 2008 and 2007, respectively. Additionally, for the years ended June 30, 2008 and 2007, this agency represented approximately 79% and 74% of revenues, respectively.

Cash and Cash Equivalents

The Foundation considers all unrestricted highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. As of June 30, 2008 and 2007, these cash equivalents consisted of money market funds.



UTAH FOSTER CARE FOUNDATION

Notes to Financial Statements

Continued

1. Organization and Summary of Significant Accounting Policies
Continued

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Receivables

Receivables are carried at the original billed amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. As of June 30, 2008 and 2007, management estimated that no allowance was necessary.

Property and Equipment

The Organization capitalizes purchases of property and equipment at cost. The fair value of donated property and equipment is similarly capitalized. Minor replacements, maintenance and repairs, which do not increase the useful lives of the property are expensed as incurred. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets or lease terms, ranging from 3 – 7 years.

Impairment of Long-Lived Assets

The Foundation reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through undiscounted future cash flows. If it is determined that an impairment loss has occurred based on expected cash flows, such loss is recognized in the statement of activities.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.



UTAH FOSTER CARE FOUNDATION

Notes to Financial Statements

Continued

1. Organization and Summary of Significant Accounting Policies
Continued

Contributions – Continued

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Donations of property and equipment and supplies, such as blankets and clothing, are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated Services

Many individuals volunteer their time and perform a variety of tasks that assist the Foundation with specific programs and assignments. Donated services are reflected in the financial statements when services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The expense for these contributed services is allocated between program and supporting services in the statements of activities. During the years ended June 30, 2008 and 2007, the value of contributed services meeting the requirements for recognition in the financial statements was \$102,640 and \$231,443, respectively.



UTAH FOSTER CARE FOUNDATION

Notes to Financial Statements

Continued

1. Organization and Summary of Significant Accounting Policies
Continued

Service Revenue

The Foundation's service revenue is generated through performance of services for a government entity on a cost-reimbursement basis. Service revenue is recognized as the services are provided, when a valid contract exists, collection is reasonably assured, and there are no significant obligations remaining.

Expense Allocation

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

Advertising

Advertising costs are expensed as incurred and were approximately \$145,000 and \$317,000 for the years ended June 30, 2008 and 2007, respectively.

Income Taxes

The Foundation is a qualified charitable organization under Section 501(c)(3) of the Internal Revenue Code and under State of Utah regulations, and as such, is not subject to federal or state income taxes on exempt purpose income. The Foundation is subject to taxation on unrelated business income.

Activities

The following is a description of the activities for each major program:

Recruitment – Increase community efforts to provide information on the needs of foster children and families; target the types of families who can meet the needs of foster children; provide initial consultation services to persons interested in foster care participation; assess needs of foster children in cooperation with the State Division of Child and Family Services.

Education – Provide pre-service and in-service training to families involved in all phases of foster care.

Retention – Supporting services to foster care families to help retain families providing foster care.

Reclassifications

Certain amounts in the 2007 financial statements have been reclassified to conform with the 2008 presentation.



UTAH FOSTER CARE FOUNDATION**Notes to Financial Statements***Continued*

-
- 2. Investments** Investments are stated at fair value and consist of the following at June 30:

	<u>2008</u>	<u>2007</u>
Cost basis of mutual fund	\$ 482,337	\$ 430,812
Unrealized (depreciation) appreciation	(56,411)	55,360
Mutual fund at fair value	<u>\$ 425,926</u>	<u>\$ 486,172</u>

- 3. Property and Equipment** Property and equipment consists of the following as of June 30:

	<u>2008</u>	<u>2007</u>
Office equipment	\$ 280,523	\$ 268,646
Furniture and fixtures	167,224	167,066
Leasehold improvements	28,719	28,719
	<u>476,466</u>	<u>464,431</u>
Less accumulated depreciation and amortization	(396,624)	(374,014)
	<u>\$ 79,842</u>	<u>\$ 90,417</u>

- 4. Accrued Liabilities** Accrued liabilities consist of the following at June 30:

	<u>2008</u>	<u>2007</u>
Payroll and payroll related costs	\$ 79,622	\$ 64,224
Personal leave	60,974	65,324
Other	13,753	-
	<u>\$ 154,349</u>	<u>\$ 129,548</u>

- 5. Restrictions on Net Assets** As of June 30, 2008 and 2007, temporarily restricted net assets of \$48,160 and \$72,384, respectively, are restricted by donors to be used for various programs of the Foundation.



UTAH FOSTER CARE FOUNDATION

Notes to Financial Statements

Continued

6. Retirement Plan

The Foundation sponsors a defined contribution retirement plan, which covers all employees age 21 and older with 6 months of full-time service. The Foundation contributes, on a discretionary basis, a percent of the annual salary of each eligible employee. The expense for the years ended June 30, 2008 and 2007 was approximately \$160,000 and \$152,000, respectively.

7. Commitments

Operating Leases

The Foundation is obligated under certain operating leases for office space and office equipment. Total lease expense for the years ended June 30, 2008 and 2007 related to operating leases was approximately \$190,000 and \$181,000, respectively. Future minimum lease payments under non-cancellable operating leases with initial terms of one year or more are as follows:

Years Ending June 30:

2009	\$ 192,000
2010	149,000
2011	23,000
2012	7,000
2013	4,000
	<hr/>
	\$ 375,000



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Utah Foster Care Foundation

We have audited the financial statements of Utah Foster Care Foundation (the Foundation) as of and for the year ended June 30, 2008, and have issued our report thereon dated September 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Utah Foster Care Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Foundation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Foundation's financial statements that is more than inconsequential will not be

prevented or detected by the Foundation's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting (see findings SD-1 and SD-2).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Foundation's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the Board of Directors, management, others within the Foundation, and pass-through entities, and is not intended to be and should not be used by any one other than these specified parties.

Tanner LC

September 8, 2008



UTAH FOSTER CARE FOUNDATION
Schedule of Findings and Responses

June 30, 2008

Finding # SD-1
Promises to Give

A promise to give is a written or oral agreement to contribute cash or other assets to the Foundation. The Foundation had received certain promises to give during fiscal year 2008 that were not recorded as revenue in the period received due to a lack of communication between various personnel. We recommend that communication be improved to ensure proper revenue recognition with regards to contributions.

Response from management:

We have discussed this finding with the different departments to ensure we receive information concerning all contributions and promises to give. Additionally, we will monitor the year-end close to ensure revenues are recorded in the appropriate period.

Finding # SD-2
Information Technology Considerations

Logical Access – The Foundation is not currently enforcing a network password policy and network account lock-out policy. Network password policies should include requirements for a minimum number of characters in a password and force the password to be changed at periodic intervals. Network account lock-out policies should include the locking of accounts for a specific period of time after multiple invalid log-in attempts of the same account. Enforcing network password and account lock-out policies reduces the risk that there is an improper use, disclosure, modification, or loss of financial data.

Server Room Access – The room where servers and other critical hardware and equipment is housed is left unsecured during the day. Persons with physical access to equipment can bypass logical controls or cause physical harm to critical hardware and other equipment. We recommend that the Foundation restrict access to the server room.

Response from management:

We have discussed this finding with our information technology manager. We have created a network password policy. Our server room is now locked on a regular basis.



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH UTAH STATE REQUIREMENTS

**Board of Directors
Utah Foster Care Foundation**

We have audited the financial statements of Utah Foster Care Foundation, a nonprofit corporation, for the year ended June 30, 2008, and have issued our report thereon dated September 8, 2008. As part of our audit, we have audited Utah Foster Care Foundation's compliance with the requirements of the provider contract determined to be a major State assistance program as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2008. Utah Foster Care Foundation received the following major assistance program from the State of Utah:

- Foster Care (General Fund) Department of Human Services

The management of Utah Foster Care Foundation is responsible for its compliance with the compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Utah Foster Care Foundation's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, Utah Foster Care Foundation complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort; or earmarking; reporting; special tests and provisions that are applicable to its major State assistance program for the year ended June 30, 2008.

Tanner LC

September 8, 2008

